

105TH CONGRESS  
2D SESSION

# H. R. 3290

To amend the Internal Revenue Code of 1986 to modify the low-income housing credit.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 1998

Mrs. JOHNSON of Connecticut (for herself, Mr. METCALF, Mr. WELLER, and Mr. HOUGHTON) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to modify the low-income housing credit.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Affordable Housing Improvement Act of 1998”.

6       (b) AMENDMENT OF 1986 CODE.—Except as other-  
7       wise expressly provided, whenever in this Act an amend-  
8       ment or repeal is expressed in terms of an amendment  
9       to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. INCREASE IN STATE CEILING ON LOW-INCOME**  
 4 **HOUSING CREDITS, ETC.**

5 (a) IN GENERAL.—Clause (i) of section 42(h)(3)(C)  
 6 (relating to State housing credit ceiling) is amended by  
 7 striking “\$1.25” and inserting “\$1.75”.

8 (b) ADJUSTMENT OF STATE CEILING FOR IN-  
 9 CREASES IN COST-OF-LIVING.—Paragraph (3) of section  
 10 42(h) (relating to housing credit dollar amount for agen-  
 11 cies) is amended by adding at the end the following new  
 12 subparagraph:

13 “(H) COST-OF-LIVING ADJUSTMENT.—

14 “(i) IN GENERAL.—In the case of a  
 15 calendar year after 1999, the dollar  
 16 amount contained in subparagraph (C)(i)  
 17 shall be increased by an amount equal to—

18 “(I) such dollar amount, multi-  
 19 plied by

20 “(II) the cost-of-living adjust-  
 21 ment determined under section 1(f)(3)  
 22 for such calendar year by substituting  
 23 ‘calendar year 1998’ for ‘calendar  
 24 year 1992’ in subparagraph (B) there-  
 25 of.

1                   “(ii) ROUNDING.—If any increase  
 2                   under clause (i) is not a multiple of 5  
 3                   cents, such increase shall be rounded to  
 4                   the next lowest multiple of 5 cents.”.

5           (c) MODIFICATION TO PENALTY FOR AGENCY ALLO-  
 6           CATIONS IN EXCESS OF LIMIT.—Subparagraph (B) of sec-  
 7           tion 42(h)(7) is amended by striking all that follows the  
 8           comma and inserting “the State housing credit ceiling for  
 9           the following calendar year shall be reduced by the amount  
 10          of such excess (twice the amount of such excess to the  
 11          extent the Secretary determines that the excess allocation  
 12          was not inadvertent).”.

13   **SEC. 3. MODIFICATION OF CRITERIA FOR ALLOCATING**  
 14                   **HOUSING CREDITS AMONG PROJECTS.**

15          (a) SELECTION CRITERIA.—Subparagraph (C) of  
 16          section 42(m)(1) (relating to certain selection criteria  
 17          must be used) is amended—

18               (1) by inserting “, including whether the project  
 19               includes the use of existing housing as part of a  
 20               community revitalization plan” before the comma at  
 21               the end of clause (iii), and

22               (2) by striking “and” at the end of clause (vi),  
 23               by striking the period at the end of clause (vii) and  
 24               inserting a comma, and by adding at the end the  
 25               following new clauses:

1 “(viii) tenant populations of individ-  
 2 uals with children, and  
 3 “(ix) projects intended for eventual  
 4 tenant ownership.”.

5 (b) PREFERENCE FOR COMMUNITY REVITALIZATION  
 6 PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—  
 7 Clause (ii) of section 42(m)(1)(B) is amended by striking  
 8 “and” at the end of subclause (I), by adding “and” at  
 9 the end of subclause (II), and by inserting after subclause  
 10 (II) the following new subclause:

11 “(III) projects which are located  
 12 in qualified census tracts (as defined  
 13 in subsection (d)(5)(C)) and the devel-  
 14 opment of which contributes to a con-  
 15 certed community revitalization  
 16 plan,”.

17 **SEC. 4. ADDITIONAL RESPONSIBILITIES OF HOUSING**  
 18 **CREDIT AGENCIES.**

19 (a) MARKET STUDY; PUBLIC DISCLOSURE OF RA-  
 20 TIONALE FOR NOT FOLLOWING CREDIT ALLOCATION  
 21 PRIORITIES.—Subparagraph (A) of section 42(m)(1) (re-  
 22 lating to responsibilities of housing credit agencies) is  
 23 amended by striking “and” at the end of clause (i), by  
 24 striking the period at the end of clause (ii) and inserting

1 a comma, and by adding at the end the following new  
2 clauses:

3 “(iii) a comprehensive market study  
4 of the housing needs of low-income individ-  
5 uals in the area to be served by the build-  
6 ing is conducted before the credit alloca-  
7 tion is made and at the developer’s expense  
8 by a disinterested party who is approved  
9 by such agency, and

10 “(iv) a written explanation is available  
11 to the general public for any allocation of  
12 a housing credit dollar amount which is  
13 not made in accordance with established  
14 priorities and selection criteria of the hous-  
15 ing credit agency.”.

16 (b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B)  
17 (relating to qualified allocation plan) is amended by insert-  
18 ing before the period “and in monitoring for noncompli-  
19 ance with habitability standards through regular site vis-  
20 its”.

21 (c) LIMITATION ON FEES IMPOSED BY HOUSING  
22 CREDIT AGENCIES IN CONNECTION WITH CREDIT ALLO-  
23 CATION.—Subsection (m) of section 42 is amended by  
24 adding at the end the following new paragraph:

1           “(3) LIMITATION ON AMOUNT OF FEES IM-  
 2           POSED BY HOUSING CREDIT AGENCY IN CONNEC-  
 3           TION WITH CREDIT ALLOCATION.—Fees imposed by  
 4           any housing credit agency in connection with activi-  
 5           ties carried on by reason of this section may be as-  
 6           sessed and collected only in such manner as may  
 7           reasonably be expected to result in the collection of  
 8           an aggregate amount which does not exceed the ag-  
 9           gregate costs of the agency in carrying on such ac-  
 10          tivities.”.

11 **SEC. 5. MODIFICATIONS TO RULES RELATING TO BASIS OF**  
 12 **BUILDING WHICH IS ELIGIBLE FOR CREDIT.**

13          (a) HOME ASSISTANCE NOT TO DISQUALIFY  
 14 BUILDING FOR ADDITIONAL CREDIT AVAILABLE TO  
 15 BUILDINGS IN HIGH COST AREAS.—Clause (i) of section  
 16 42(i)(2)(E) (relating to buildings receiving HOME assist-  
 17 ance) is amended by striking the last sentence.

18          (b) ADJUSTED BASIS TO INCLUDE PORTION OF CER-  
 19 TAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS  
 20 WHO ARE NOT TENANTS AND BY PROJECT EMPLOY-  
 21 EES.—Paragraph (4) of section 42(d) (relating to special  
 22 rules relating to determination of adjusted basis) is  
 23 amended—

1           (1) by striking “subparagraph (B)” in subpara-  
2       graph (A) and inserting “subparagraphs (B) and  
3       (C)”,

4           (2) by redesignating subparagraph (C) as sub-  
5       paragraph (D), and

6           (3) by inserting after subparagraph (B) the fol-  
7       lowing new subparagraph:

8                       “(C) INCLUSION OF BASIS OF PROPERTY  
9       USED TO PROVIDE SERVICES FOR CERTAIN  
10      NONTENANTS.—

11                   “(i) IN GENERAL.—The adjusted  
12       basis of any building located in a qualified  
13       census tract (as defined in paragraph  
14       (5)(C)) shall be determined by taking into  
15       account the adjusted basis of property (of  
16       a character subject to the allowance for de-  
17       preciation and not otherwise taken into ac-  
18       count) used throughout the taxable year in  
19       providing any community service facility.

20                   “(ii) LIMITATIONS.—The increase in  
21       the adjusted basis of any building which is  
22       taken into account by reason of clause (i)  
23       shall not exceed 20 percent of the eligible  
24       basis of the building (determined without  
25       regard to this subparagraph).

1                   “(iii) COMMUNITY SERVICE FACIL-  
2                   ITY.—For purposes of this subparagraph,  
3                   the term ‘community service facility’  
4                   means any facility if—

5                   “(I) such facility is functionally  
6                   related and subordinate to the quali-  
7                   fied low-income project of which the  
8                   building is a part,

9                   “(II) substantially all of the serv-  
10                  ices provided by the facility during the  
11                  taxable year are provided to individ-  
12                  uals whose income is 60 percent or  
13                  less of area median income (within the  
14                  meaning of subsection (g)(1)(B)), and

15                  “(III) the only services provided  
16                  by the facility other than to individ-  
17                  uals described in subclause (II) are  
18                  provided to employees of such  
19                  project.”.

20 **SEC. 6. EFFECTIVE DATES.**

21           (a) IN GENERAL.—Except as otherwise provided in  
22 this section, the amendments made by this Act shall apply  
23 to—

24                   (1) housing credit dollar amounts allocated  
25                   after December 31, 1998, and



1           (2) buildings placed in service after such date  
2           to the extent paragraph (1) of section 42(h) of the  
3           Internal Revenue Code of 1986 does not apply to  
4           any building by reason of paragraph (4) thereof, but  
5           only with respect to bonds issued after such date.

6           (b) INCREASE IN STATE CEILING.—The amendment  
7           made by section 2(a) shall apply to calendar years after  
8           1998.

9           (c) LIMITATION ON AGENCY FEES.—The amendment  
10          made by section 4(c) shall apply to calendar years after  
11          1998.

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